

OFFICIAL STATEMENT DATED JANUARY 21, 2003

Fitch Ratings: AA
Moody's Investors Service: Aa2
Standard and Poor's: AA+
(See "RATINGS" herein)

NEW ISSUE: BOOK-ENTRY ONLY

Interest on the Series 2003A Bonds will be includable in gross income for federal income tax purposes. In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Series 2003A Bonds and profit realized from the sale or exchange of the Series 2003A Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Series 2003A Bonds or the interest thereon.

\$11,835,000
MONTGOMERY COUNTY REVENUE AUTHORITY
TAXABLE LEASE REVENUE BONDS
(MONTGOMERY COUNTY CONFERENCE CENTER PROJECT)
SERIES 2003A

Dated: January 15, 2003

Due: February 15, as set forth on inside front cover

The Series 2003A Bonds are being issued to finance a portion of the cost of developing, constructing and equipping a conference center in North Bethesda, Maryland (the "Project"). The Series 2003A Bonds are secured by a Trust Agreement between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"). Pursuant to a Lease Agreement (the "Lease Agreement") between the Authority and the County, the Authority is leasing the Project to the County. The County's payments under the Lease Agreement will be sufficient to pay, when due, the principal of and interest on the Series 2003A Bonds. ***The County's payments under the Lease Agreement are payable solely from amounts (if any) appropriated by the County Council for Montgomery County, Maryland.***

The Series 2003A Bonds are available only in global book-entry form, registered in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Series 2003A Bonds. So long as the Series 2003A Bonds are registered in the name of Cede & Co., payment of the principal of, premium (if any) and interest on the Series 2003A Bonds will be made by the Authority to DTC. DTC is required to remit such payments to DTC participants, who are required in turn to remit such payments to beneficial owners, as described in this Official Statement. **Purchasers of the Series 2003A Bonds will not receive certificates representing their ownership interest in the Series 2003A Bonds.**

The Series 2003A Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Interest due on the Series 2003A Bonds is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2003 (seven months), by check mailed by Wachovia Bank, National Association, as Bond Registrar and Paying Agent, to the registered owner of record as of the first day of the month of the interest payment date at the address shown on the bond registration books. Principal of and any redemption premium on the Series 2003A Bonds will be payable upon surrender at the principal corporate trust office of the Bond Registrar and Paying Agent in Richmond, Virginia. The Series 2003A Bonds are subject to redemption by the Authority prior to maturity as set forth herein. See "THE SERIES 2003A BONDS - - Redemption of Bonds" herein.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

THE SERIES 2003A BONDS CONSTITUTE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE PAYMENTS MADE BY THE COUNTY PURSUANT TO THE LEASE AGREEMENT AND FROM THE OTHER ASSETS PLEDGED UNDER THE TRUST AGREEMENT AS SECURITY FOR THE PAYMENT THEREOF. THE SERIES 2003A BONDS DO NOT CONSTITUTE A DEBT OF THE ISSUER, THE COUNTY, THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF MARYLAND OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE SERIES 2003A BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.

DELIVERY:

The Series 2003A Bonds are offered for delivery when, as and if issued, subject to the approving legal opinion of Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, and other conditions specified in the official Notice of Sale for the Series 2003A Bonds. It is expected that the Series 2003A Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about January 29, 2003.

The date of this Official Statement is January 21, 2003.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE

<u>Maturity February 15,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>
2004	\$345,000	4.000%	1.820%	613366EY5
2005	385,000	4.000	2.250	613366EZ2
2006	400,000	4.000	2.850	613366FA6
2007	415,000	4.000	3.500	613366FB4
2008	435,000	4.250	3.910	613366FC2
2009	450,000	4.500	4.300	613366FD0
2010	470,000	4.750	4.500	613366FE8
2011	495,000	5.000	4.800	613366FF5
2012	520,000	5.000	4.900	613366FG3
2013	545,000	5.000	5.000	613366FH1
2014	570,000	5.250	5.100	613366FJ7
2015	600,000	5.375	5.200	613366FK4
2016	635,000	5.300	5.300	613366FL2
2017	670,000	5.400	5.400	613366FM0
2018	705,000	5.600	5.600	613366FN8
2019	745,000	6.000	5.700	613366FP3
2020	790,000	6.000	5.800	613366FQ1
2021	835,000	6.000	5.900	613366FR9
2022	885,000	6.000	6.000	613366FS7
2023	940,000	6.000	6.000	613366FT5

(Accrued interest from January 15, 2003 to be added)

The rates shown above are the interest rates payable by the Authority resulting from the successful bid for the Series 2003A Bonds by a group of banks and investment banking firms at public sale on January 14, 2003. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Series 2003A Bonds should be obtained from the successful bidders and not from the Authority or from the County.

No dealer, broker, salesman or any other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement, and if given and made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority and other sources. The Authority believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2003A Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

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OFFICIAL STATEMENT

\$11,835,000

**MONTGOMERY COUNTY REVENUE AUTHORITY
TAXABLE LEASE-REVENUE BONDS
(MONTGOMERY COUNTY CONFERENCE CENTER PROJECT)
SERIES 2003A**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside front cover, Table of Contents and Appendices A, B and C, is to provide certain information concerning the sale and delivery by the Montgomery County Revenue Authority (the “Authority”) of \$11,835,000 of its Taxable Lease Revenue Bonds (Montgomery County Conference Center Project), Series 2003A (the “Series 2003A Bonds”). Capitalized terms not otherwise defined in the Official Statement shall have the respective meanings assigned to them in “APPENDIX C – DEFINITIONS OF CERTAIN TERMS” herein.

The Series 2003A Bonds are being issued pursuant to a Trust Agreement dated as of June 15, 1999 (the “Original Trust Agreement”) between the Authority and Wachovia Bank, National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Trust Agreement dated January 15, 2003, between the Authority and the Trustee (the “Supplemental Trust Agreement” and, together with the Original Trust Agreement, the “Trust Agreement”).

The proceeds of the Series 2003A Bonds will be used (i) to finance a portion of the costs of constructing and equipping a conference center facility with related site improvements and parking facilities (the “Project”) to be located in North Bethesda within Montgomery County, Maryland (the “County”) and (ii) to pay the costs of issuing the Series 2003A Bonds. The cost of acquiring the Site and certain planning and design costs of the Project have already been paid from the proceeds of the Authority’s Taxable Lease Revenue Bonds (Montgomery County Conference Center Project), Series 1999A (the “Series 1999 Bonds” and, collectively with the Series 2003A Bonds and any Additional Bonds, the “Bonds”) and from County general revenues. The County will be responsible for the design and construction of the Project pursuant to an agreement with the Authority. The Project will consist of an approximately 100,000 square-foot conference center and related parking facilities. The Project will adjoin a 225-room hotel (the “Hotel”). The Hotel is not a part of the Project. The Project will be constructed on an approximately 11.92 acre site (the “Site”) owned by the Authority. See “THE PROJECT” herein.

A portion of the costs of the Project will be paid from the proceeds of the Maryland Stadium Authority’s Montgomery County Conference Center Facilities Tax-Exempt Lease Revenue Bonds, Series 2003 (the “MSA Bonds”). The MSA Bonds will be issued and delivered on the same date as the issuance and delivery of the Series 2003A Bonds. The MSA Bonds are payable by the Maryland Stadium Authority (“MSA”) out of lease payments to be made by the State of Maryland (the “State”), subject to appropriation by the General Assembly of the State. Lease payments by the State are not available to pay the principal of, premium (if any) or interest on the Bonds, and payments by the County under the Lease Agreement are not available to pay the principal of, premium (if any) or interest on the MSA Bonds. A default with respect to the MSA Bonds will not constitute a default with respect to the Bonds, and a default with respect to the Bonds will not constitute a default with respect to the MSA Bonds. See “THE PROJECT – Maryland Stadium Authority Participation” herein. The MSA Bonds are not being offered by this Official Statement.

The Authority and the County entered into a Master Lease Agreement dated as of June 15, 1999 (the “Master Lease Agreement”), and Appendix No. 1 thereto dated June 28, 1999, pursuant to which the Authority leased an undivided one-half interest in the Site to the County for a period of twenty-five years ending on June 15, 2024, with an option to renew for five additional years. The Authority and the County will enter into Appendix No. 2 to the Master Lease Agreement, to be dated the date of delivery of the Series 2003A Bonds (the Master Lease Agreement as supplemented by Appendix No. 1 and Appendix No.

2, the "Lease Agreement"). Under the terms of the Lease Agreement, the County is obligated (subject to the terms thereof) to pay to the Authority specified rentals, which amounts are calculated to be sufficient in both time and amount to pay, when due, the principal of, premium, if any, and interest on the Series 1999 Bonds and the Series 2003A Bonds and related administrative expenses of the Authority. The County will also be responsible under the Lease Agreement for all aspects of the operation, maintenance and policing of the Project. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT."

In the event that the County Council of Montgomery County (the "County Council") fails or delays to appropriate sufficient moneys to enable the County to make the Lease Payments (hereinafter defined), there may not be sufficient money to pay when due the principal of, premium, if any, and interest on the Bonds. The County will covenant and agree in the Lease Agreement, to the extent permitted by applicable law, to use its best efforts to obtain the authorization and appropriation of funds sufficient to meet its obligations thereunder in full in each fiscal year, including the inclusion of such funds in its budget. There is no Maryland law as to whether such covenants and agreements are enforceable against the County. The County is under no obligation to make any appropriations with respect to the Lease Agreement. No assurance can be given that such appropriations will be made, or that if made, that they will be made at the times and in the amounts necessary to pay when due the principal of, premium, if any, and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS" and "Annual Budgets" in the County's Annual Information Statement dated December 28, 2001, incorporated by reference herein as Appendix A and published under separate cover.

Pursuant to the Trust Agreement, the Authority will assign to the Trustee, for the benefit of owners of the Bonds, all of the Authority's rights under the Lease Agreement (except for certain compensation and reimbursement rights of the Authority) including, without limitation (1) the right to receive and collect all of the Lease Payments (including prepayments thereof) and (2) the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or appropriate (i) to enforce payment of the Lease Payments, prepayments thereof, and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund established under the Trust Agreement, or (ii) otherwise to protect the interests of the Owners in the event of a default by the County under the Lease Agreement or the Trust Agreement.

The Series 2003A Bonds constitute Additional Bonds under the Trust Agreement. The Series 2003A Bonds and the Series 1999 Bonds are equally and ratably secured under the Trust Agreement.

The Series 2003A Bonds constitute limited obligations of the Authority and are payable solely from the payments made by the County pursuant to the Lease Agreement and from other assets pledged under the Trust Agreement as security for the payment thereof. The Series 2003A Bonds do not constitute a debt of the Authority, the County, the State of Maryland or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the taxing power of the County, the State of Maryland or any of its political subdivisions is pledged to the payment of the Series 2003A Bonds or the interest thereon. The Authority has no taxing power.

THE SERIES 2003A BONDS

General

The Series 2003A Bonds will be dated January 15, 2003 and will mature and bear interest on the dates and at the rates set forth on the inside front cover page hereof. Interest on the Series 2003A Bonds will be payable semiannually on February 15 and August 15 of each year (each a "Payment Date"), commencing August 15, 2003 (seven months).

The Series 2003A Bonds shall be delivered in the form of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2003A Bonds shall be maintained under a book-entry system, payments of the principal of, premium (if any) and interest on the

Series 2003A Bonds will be made as described below under the heading “—DTC and Book-Entry Only System.” At any other time, payments of interest due with respect to any Bond on any Payment Date shall be made to the person who appears on the registration books as the Owner thereof as of the Record Date immediately preceding such Payment Date, such interest to be paid in lawful money of the United States of America by check or draft of the Trustee mailed to such Owner at his address as it appears on the registration books or at such other address as he may have filed with the Trustee for that purpose. The principal and redemption premium, if any, payable with respect to any Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee upon surrender thereof at the principal office of the Trustee.

Registration and Exchange of Bonds

So long as the Series 2003A Bonds are maintained under a book-entry system, Beneficial Owners (hereinafter defined) thereof will have no right to receive physical possession of the Series 2003A Bonds, and transfers of ownership interests in the Series 2003A Bonds will be made through book-entries by DTC and Direct Participants (as hereinafter defined). See “—DTC and Book-Entry Only System” below.

If the book-entry system is discontinued, Bonds may be exchanged at the principal corporate trust office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. No exchange may be made during the 15 days preceding any date set by the Trustee for the selection of Bonds for redemption prior to maturity. The Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The registration of any Bond may, in accordance with its terms to be transferred upon the registration books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. No transfer may be made during the 15 days preceding any date set by the Trustee for the selection of Series 2003A Bonds for redemption prior to maturity. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Trustee shall execute, authenticate and deliver a new Bond or Bonds for a like aggregate principal amount.

If any Bond shall become mutilated, the Trustee, upon the request and at the expense of the Owner of said Bond, shall execute and deliver a new Bond of like tenor, maturity and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Bond Owner, shall execute and deliver a new Bond of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Bond delivered and of the expenses which may be incurred by the Trustee in carrying out its duties as described in this paragraph. Notwithstanding any other provision of this paragraph, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bond.

Book-Entry Only System

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by the Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The Authority makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Series 2003A Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodian relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003A Bonds, except in the event that use of the book-entry system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2003A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003A Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2003A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Series 2003A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose

accounts the Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Bond Registrar and Paying Agent, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2003A Bonds at any time by giving reasonable notice to the Authority or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

NEITHER THE AUTHORITY, NOR THE BOND REGISTRAR AND PAYING AGENT, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2003A BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2003A BONDS.

Redemption of Series 2003A Bonds

Optional Redemption. The Series 2003A Bonds maturing on or after February 15, 2014 are subject to optional redemption in whole or in part from prepayment of the Payments on the Lease Agreement made at the option of the County in accordance with the Lease Agreement, commencing February 15, 2013, at a redemption price equal to the outstanding principal amount thereof, together with accrued interest to the date fixed for redemption, plus a premium of two percent (2%) if such principal amount is redeemed on or prior to February 14, 2014, one percent (1%) if redeemed thereafter and on or prior to February 14, 2015, and without premium if redeemed thereafter.

The Series 2003A Bonds maturing by their terms prior to February 15, 2014 are not subject to optional redemption as described above.

Redemption From Net Proceeds of Insurance and Condemnation Awards. The Series 2003A Bonds are also subject to redemption on any Payment Date, in whole or in part, from any insurance proceeds or condemnation award, to the extent remaining after payment therefrom of all expenses incurred in collection thereof with respect to the Project or the Site (the "Net Proceeds"), which Net Proceeds are deposited in the Lease Payment Fund and credited towards the prepayment of the Lease Payments made by the County in accordance with the Lease Agreement, at a redemption price equal to the principal amount of the Series 2003A Bonds to be redeemed, together with accrued interest to the date fixed for redemption,

without premium. Nothing in the Lease Agreement, the Trust Agreement or any other document relating to the Project purports to prevent the County from exercising its power of eminent domain with respect to the Project, and such an exercise could result in the redemption of the Series 2003A Bonds without premium at any time.

Selection of Series 2003A Bonds for Redemption. The Trustee shall select Series 2003A Bonds for redemption by lot or in any other manner which the Trustee shall in its sole discretion deem appropriate and fair. For the purposes of such selection, Series 2003A Bonds shall be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity.

Notice of Redemption. When redemption is authorized or required as described above, the Trustee shall give notice of the redemption of the Series 2003A Bonds on behalf of the Authority. Such notice shall state the redemption date and redemption price and, if less than all of the then Outstanding Series 2003A Bonds are to be called for redemption, shall designate the numbers of the Series 2003A Bonds to be called for redemption and shall require that such Series 2003A Bonds be then surrendered, at the principal corporate trust office of the Trustee for redemption at such redemption price. In the case of any Bond called for redemption only in part as described under “Selection of Series 2003A Bonds for Redemption” above, the notice shall further set forth the portion of the principal amount thereof which is to be redeemed. In each case, such notice shall state that on the specified redemption date there shall become due and payable upon each such Bond, the principal and premium, if any, together with interest accrued to such date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The notice of redemption shall be mailed by first class mail to the respective Owners of those Series 2003A Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee, at least 30 days but not more than 60 days prior to the redemption date; provided, however, that neither the failure of any Owner to receive such notice so mailed nor any immaterial defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series 2003A Bonds.

Effect of Notice of Redemption. If, on said date fixed for redemption, moneys for the redemption of all the Series 2003A Bonds to be redeemed, together with interest to said date of redemption and any applicable redemption premium, shall be held by the Trustee so as to be available therefor on such date of redemption, and if notice of redemption thereof shall have been given as aforesaid, then, from and after said date of redemption, interest with respect to the Series 2003A Bonds designated for redemption shall cease to accrue or become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2003A Bonds shall be held in trust for the account of the Owners of the Series 2003A Bonds so to be redeemed.

Additional Bonds

Additional Bonds may be issued under and secured by the Trust Agreement from time to time, for the purpose of paying the costs of constructing and equipping the Project. Except as to any difference in the maturities and redemption provisions of such Additional Bonds, the form, denominations, registration provisions and provisions for the exchange of such Additional Bonds, such Additional Bonds shall be on a parity with, and shall be entitled to the same benefit and security of the Trust Agreement as, the Series 1999 Bonds and the Series 2003A Bonds. Additional Bonds may only be issued upon the delivery to the Trustee of, among other things, an executed appendix to the Lease which shall require the County (subject to appropriation) to make lease payments in amounts at least equal to the maturing principal of and redemption premium (if any) and interest on such Additional Bonds as and when they become due and otherwise providing for the security of such Additional Bonds on a parity with the Series 1999 Bonds, the Series 2003A Bonds and any other Outstanding Additional Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS

General

The Series 2003A Bonds are payable as to principal, premium (if any) and interest solely from (i) the Lease Payments to be paid by the County pursuant to the Lease Agreement, (ii) moneys attributable to the sale, leasing or other disposition of the Project by or on behalf of the Trustee upon the occurrence of certain defaults by the Authority or the County under the Lease Agreement or the Trust Agreement, and (iii) amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the Authority will assign to the Trustee certain of its rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments.

THE SERIES 2003A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE PAYMENTS MADE BY THE COUNTY PURSUANT TO THE LEASE AGREEMENT AND FROM OTHER ASSETS PLEDGED UNDER THE TRUST AGREEMENT AS SECURITY FOR THE SERIES 2003A BONDS. THE SERIES 2003A BONDS DO NOT CONSTITUTE A DEBT OF THE AUTHORITY, THE COUNTY, THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF MARYLAND OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE SERIES 2003A BONDS OR THE INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

ALL AMOUNTS PAYABLE BY THE COUNTY UNDER THE LEASE AGREEMENT, INCLUDING THE LEASE PAYMENTS, ARE SUBJECT IN EACH YEAR TO APPROPRIATION BY THE COUNTY. THE COUNTY IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATION WITH RESPECT TO THE LEASE AGREEMENT. THE LEASE AGREEMENT IS NOT A GENERAL OBLIGATION OF THE COUNTY AND DOES NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY.

Parity Bonds

The Series 2003A Bonds constitute Additional Bonds under the Trust Agreement. The Series 2003A Bonds and the Series 1999 Bonds are equally and ratably secured under the Trust Agreement. The Lease Agreement obliges the County (subject to the terms thereof) to make Lease Payments which are sufficient to pay the principal of, redemption premium (if any) and interest on the Series 1999 Bonds and the Series 2003A Bonds.

Lease Agreement

The County and the Authority entered into the Master Lease Agreement in connection with the issuance of the Series 1999 Bonds. The County and the Authority will enter into Appendix No. 2 to the Master Lease Agreement, dated as of the date of delivery of the Series 2003A Bonds. The Lease Payments and other payments due under the Lease Agreement are sufficient to pay the scheduled debt service on the Bonds, and certain fees and expenses of the Authority. The County is also obligated under the Lease Agreement to pay all expenses associated with the operation, maintenance and policing of the Project. The Lease Payments are payable semi-annually on February 1 and August 1 of each year so long as any of the Bonds are outstanding and will be paid directly to the Trustee.

The ability of the County to pay the Lease Payments is subject to the annual appropriation of sufficient funds for such purpose by the County Council. The County is under no obligation to make any appropriations with respect to the Lease Agreement. The County has covenanted in the Lease Agreement,

to the extent permitted by applicable law, to use its best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County Executive to be submitted to the County Council. The County has also covenanted, subject to applicable law and public policy, not to acquire (by purchase, lease or otherwise) facilities functionally similar to the Project. There is no Maryland law as to the enforceability of such covenants and agreements. If the County fails to make Lease Payments, the Trustee has the right to seek certain remedies, including the termination of the Lease Agreement, the eviction of the County and the sale or lease of the Project. See “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT” herein.

Under the Lease Agreement the County is responsible for the design and construction of the Project. See “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT” herein.

The County is required under the Lease to insure the Project against damage and destruction. The County intends to provide a portion or all of such insurance through self-insurance. The County currently covers all of its property under a commercial and property insurance policy subject to a deductible and has no plans to change this practice. Net insurance proceeds, as well as condemnation awards, must be applied to the repair or replacement of the Project or to the redemption of all or a portion of the Bonds. See “THE SERIES 2003A BONDS- - REDEMPTION OF SERIES 2003A BONDS- - REDEMPTION FROM NET PROCEEDS OF INSURANCE AND CONDEMNATION AWARDS” and “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT” herein.

THE PROJECT

General

The Project provides for the construction of an approximately 100,000-square-foot conference center. A 225-room hotel (the “Hotel”) will adjoin the Project. The Hotel will not be owned, operated or financed by the Authority or the County, and will not constitute a portion of the Project.

The Project is being developed pursuant to the terms of the Montgomery County Conference Center Construction, Operation, and Contribution Agreement and Lease dated December 17, 2002, among the Authority, the County and MSA (the “Contribution Agreement”). Under the terms of the Contribution Agreement, MSA agrees, among other things, to construct the Project, the County agrees, among other things, to operate the Project, and the parties agree to their respective funding obligations.

The Site

The Authority purchased the Site on June 30, 1999, from the Washington Metropolitan Area Transit Authority (“WMATA”). The Authority purchased the Site with the proceeds of the Series 1999 Bonds and other available funds. The Site consists of approximately 11.92 acres located on the northwest corner of Rockville Pike and Marinelli Road, across the street from the White Flint Metrorail station in North Bethesda, Montgomery County, Maryland, in the heavily-developed Rockville Pike corridor. The Site is convenient to Interstate 495 (the Capital Beltway) and Interstate 270.

The Authority and the County obtained a Phase I environmental site assessment regarding the Site, dated February 1996. This assessment did not identify any environmental hazards on the Site that required remediation.

The Conference Center

The Project will be a two-story building of approximately 100,000 gross square feet. It will include a 120-seat amphitheater, a board room, classrooms, breakout rooms, a telecommunications room, a 23,500 square-foot grand ballroom, a 175-seat restaurant, a 75-seat lounge and an outdoor café. The Project will be served by 725 on-site parking spaces.

The Hotel

The Hotel will consist of a ten story, 225-room conference hotel. The Hotel will be owned by a consortium of private investors arranged by IRP/QDC White Flint Associates, L.L.C. (collectively, the “Hotel Owner”). The Hotel will be located on the Site, pursuant to the terms of a Deed of Sublease dated December 17, 2002 between the County and the Hotel Owner (the “Deed of Sublease”). The Hotel will be physically connected to the Project. Pursuant to the terms of a Deed of Easements dated December 17, 2002 by and between the County and the Hotel Owner, the Hotel will make use of certain kitchen and other facilities of the Project. The Hotel will be operated by Marriott Hotel Services, Inc. (the “Manager”) pursuant to a Management Agreement dated December 18, 2002 (the “Hotel Management Agreement”) by and between the Hotel Owner and the Manager. The Manager will operate the Hotel and Conference Center as a part of Marriott Hotels, Resorts and Suites.

The Hotel Owner has secured private financing for the Hotel. No proceeds of any Bonds or of the MSA Bonds will be applied to any costs of the Hotel. Neither any Bonds nor the MSA Bonds will be cross-collateralized with or cross-defaulted to the Hotel financing.

Pursuant to the terms of the Deed of Sublease, the Hotel Owner is obliged to make certain payments from time to time to the County. Such payments are not pledged to the payment of the principal of, redemption premium (if any) or interest on the Bonds.

Construction of the Project

Under the terms of the Contribution Agreement, MSA has agreed to cause the Project to be designed, developed and constructed. MSA, in turn has retained Quadrangle Development Corporation to act as developer for the Project. The Project was designed by RTKL Associates and will be constructed by HITT Contracting, Inc.

Operation of the Project Upon Completion

General. The County will be responsible for the operation of the Project upon completion. The County has entered into a Management Agreement dated December 19, 2002 (the “Project Management Agreement”) with the Manager, pursuant to which the Manager will conduct the day-to-day operation of the Project. The Manager’s duties under the Project Management Agreement include staffing, pricing, booking, licensing and maintaining the Project upon the completion of construction. The County expects to collect revenue from the operation of the Project. However, no such revenues will be pledged to the payment of the principal of, redemption premium (if any) or interest on the Bonds.

The Manager. The Manager is a wholly-owned indirect subsidiary of Marriott International, Inc. (“Marriott”). Marriott is a worldwide hospitality company with more than 2,000 operating units and over 360,000 rooms in the United States and 55 other countries and territories. The company is headquartered in Bethesda, Maryland. Marriott operates and franchises a broad portfolio of lodging brands world wide including: Ritz-Carlton (luxury); Marriott Hotels, Resorts and Suites (quality); Renaissance Hotels, Resorts and Suites (quality); Residence Inn (quality, extended stay); Courtyard (moderate); SpringHill Suites (moderate); Fairfield Inn and Suites (lower moderate); TownePlace Suites (moderate, extended-stay). Marriott’s lodging operations also develop and operate vacation ownership resorts; executive apartments and conference centers and provide furnished corporate housing. Marriott’s contract services include other Marriott businesses such as senior living communities and services, wholesale food distribution, and procurement services.

Insurance of the Project. The Lease Agreement requires the County to maintain certain insurance with respect to the Project. The Lease Agreement permits the County, and the County intends, to provide such insurance through its self-insurance, commercial insurance, or combination of both. See

“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT -- Liability, Property Damage and Fire Insurance” and “Risk Management” in the County’s Annual Information Statement dated December 28, 2001, incorporated by reference herein as Appendix A and published under separate cover.

The MSA Bonds

The Maryland Stadium Authority (“MSA”) will issue and deliver the MSA Bonds on the same date as the issuance and delivery of the Series 2003A Bonds. The MSA Bonds are payable from lease payments to be made by the State, subject to appropriation by the General Assembly of the State. Lease payments by the State are not available to pay the principal of, premium (if any) or interest on the Bonds, and payments by the County under the Lease Agreement are not available to pay the principal of, premium (if any) or interest on the MSA Bonds. A default with respect to the MSA Bonds will not constitute a default with respect to the Bonds, and a default with respect to the Bonds will not constitute a default with respect to the MSA Bonds.

The proceeds of the MSA Bonds will be deposited with a trustee. Those proceeds of the MSA Bonds to be used to pay Project costs will be disbursed pro rata with the disbursement of Series 2003A Bond proceeds from the Project Fund. Each such disbursement will consist of approximately 39.4% Series 2003A Bond proceeds and 60.6% MSA Bond proceeds.

Need for the Project

The Project is intended to provide conference and meeting space in the highly-developed Rockville Pike corridor. The County views the Project as a key component of its economic development strategy, enhancing the County’s plans to grow as a technology hub.

Planning monies for the Project were first approved by the Montgomery County Council in May 1995 following a needs assessment and preliminary market analysis completed the previous year. The Project, including monies for land acquisition and construction, was approved by the County Council in May 1996 as part of the Authority’s capital improvements program, and continues as an approved project in the County’s Approved FY03-08 Capital Improvements Program. Monies sufficient to make the Lease Payments due are appropriated in the County’s Approved FY03 Operating Budget and are shown as a continuing commitment in the FY03-08 Public Services Program. The Lease Payments are budgeted in the Debt Service Fund of the County.

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Estimated Sources and Uses of Funds

Sources of Funds

Principal Amount of the Series 2003A Bonds	\$11,959,273.30
Accrued Interest	<u>24,268.71</u>
Total Sources of Funds	\$11,983,542.01

Use of Funds

Deposit to Project Fund	\$11,696,000.00
Accrued Interest.	24,268.71
Costs of Issuance (1)	<u>263,273.30</u>
Total Uses of Funds.	\$11,983,542.01

-
- (1) Includes fees and expenses of Bond Counsel and the financial advisor to the Authority, as well as printing costs, fees and expenses of the Trustee, rating agency fees and other miscellaneous expenses.

THE AUTHORITY

General

The Authority is a body corporate and politic, an instrumentality of the County and a public corporation. The Authority was formed in 1957 pursuant to the Montgomery County Revenue Authority Act (the "Act"), codified at Chapter 42 of the Montgomery County Code (1994 Edition), as amended. Under the Act, the Authority is authorized to issue revenue bonds, such as the Series 2003A Bonds, for the purpose of financing public facilities located in the County. The Authority is governed by a five member board (the "Board"), whose members are appointed by the County Executive of the County, subject to confirmation by the County Council. The current members of the Authority, their titles and the terms of their appointment are as follows:

<u>Member</u>	<u>Expiration of Term</u>
Stephen H. Edwards, Chairperson	June 30, 2006
Carol McGarry, Secretary-Treasurer	July 31, 2005
Peter L. Gray, Esq.	November 30, 2004
John R. Lane	March 30, 2006
Herbert L. Tyson	August 30, 2007
George F. Griffin, <i>Ex-officio</i>	n/a

The Executive Director of the Authority is Marc D. Atz. The Executive Director serves at the pleasure of the Authority.

Outstanding Long-Term Debt of the Authority

The Authority has outstanding certain other revenue bonds, which are limited obligations of the Authority secured by specific lease payments or other specified revenues. The Authority also has a mortgage payable to the U.S. Department of Housing and Urban Development (The Takoma Tower Retirement Center) which has an outstanding principal balance of \$1,395,517 as of June 30, 2002 and which is a limited obligation of the Authority secured by real estate and specified revenues. There are currently outstanding the following revenue bonds: the \$5,770,000 Lease Revenue Bonds (Land Acquisition for the Montgomery County Conference Center), the Series 1999A Bonds; the \$24,000,000 Golf Course System Revenue Bonds issued in December, 2002; the \$7,750,000 Lease Revenue Bonds (Human Services Headquarters Project) issued in August 1996; the \$13,655,000 Montgomery County Revenue authority Refunding Lease Revenue Bonds, Series 1994A (Regional Indoor Swim Center Project), Series 1994B (Western County Swim Facility Project) and Series 1994C (Olney Indoor Swim Center Project); the \$6,750,000 Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery County Public Schools Central Food Production Facility Project), Series 1993; and the \$4,951,000 Montgomery County Revenue Authority Revenue Bond (Meridian Nursing Centers, Inc. Facility), 1985 Series.

Except for the Series 1999 Bonds, no other long-term obligations of the Authority are on a parity with, or are payable from the same sources of funds as, the Series 2003A Bonds. The Series 2003A Bonds are not cross-collateralized with or cross-defaulted to any other bonds of the Authority except the Series 1999 Bonds.

The Authority has never defaulted in the payment of the principal of or interest on any of its obligations.

THE COUNTY

General

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see the County's Annual Information Statement dated December 28, 2001, incorporated by reference herein as Appendix A and published under separate cover.

The Lease Agreement is not a general obligation of the County and does not constitute a pledge of the faith and credit or the taxing powers of the County. Payments under the Lease Agreement are payable solely from amounts (if any) appropriated by the County Council.

Selected Debt and Financial Schedules

Tables 1 through 7 presented on the following pages have been updated to provide current information on Montgomery County's financial position. For more information on the County, and a complete overview of the County's debt, please see the County's Annual Information Statement dated December 28, 2001, incorporated by reference herein as Appendix A and published under separate cover.

[table appears on next page]

Table 1
Statement of Direct and Overlapping Debt
As of June 30, 2002

Direct Debt:		
General Obligation Bonds Outstanding	\$1,242,553,054	
Short-Term BANs/Commercial Paper Outstanding	125,000,000	
Long-Term Notes Payable	1,408,951	
Revenue Bonds Outstanding	<u>86,835,000</u>	
Total Direct Debt		\$1,455,797,005
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,037,317,366	
Housing Opportunities Commission	641,038,692	
Montgomery County Revenue Authority	43,794,098	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	48,484,454	
Kingsview Village Center Development District	2,410,000	
West Germantown Development District	15,915,000	
Towns, Cities and Villages within Montgomery County	<u>33,833,250</u>	
Total Overlapping Debt		<u>1,822,792,860</u>
Total Direct and Overlapping Debt		3,278,589,865
Less Self-Supporting Debt:		
County Government Revenue Bonds	86,835,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,037,317,366	
Housing Opportunities Commission	641,038,692	
Montgomery County Revenue Authority	43,794,098	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	<u>15,284,454</u>	
Total Self-Supporting Debt		<u>(1,824,269,610)</u>
Net Direct and Overlapping Debt		<u>\$1,454,320,255</u>
Ratio of Debt to June 30, 2002 Assessed Valuation of (100% Assessment):		\$81,776,292,140
Direct Debt		1.78%
Net Direct Debt *		1.67%
Direct and Overlapping Debt		4.01%
Net Direct and Overlapping Debt		1.78%
Ratio of Debt to June 30, 2002 Market Value of:		\$88,430,386,447
Direct Debt		1.65%
Net Direct Debt *		1.55%
Direct and Overlapping Debt		3.71%
Net Direct and Overlapping Debt		1.64%

* Net Direct Debt of \$1,368,962,005 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Table 2
Statement of Legal Debt Margin
As of June 30, 2002

June 30, 2002 Assessed Valuation – Real Property	\$77,574,947,550
Debt Limit (% of Assessed Valuation)	<u>6%</u>
Subtotal Limitation – Real Property	<u>4,654,496,853</u>
June 30, 2002 Assessed Valuation – Personal Property	\$4,201,344,590
Debt Limit (% of Assessed Valuation)	<u>15%</u>
Subtotal Limitation – Personal Property	<u>630,201,689</u>
Total Assessed Valuation – Real and Personal Property	\$81,776,292,140
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	\$5,284,698,542
Less Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds Outstanding	\$1,242,553,054
Short-Term BANs/Commercial Paper	125,000,000
Long Term Notes Payable	<u>1,408,951</u>
Net Direct Debt	<u>1,368,962,005</u>
Legal Debt Margin	<u>\$3,915,736,537</u>
Net Direct Debt as a Percentage of Assessed Valuation	<u>1.67%</u>

(The remainder of this page has been left blank intentionally.)

Table 3
General Obligation Debt of the County
As of June 30, 2002

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Original Interest Rates</u>	<u>TIC*</u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2002</u>
GO Bonds	05/01/83	\$ 50,000,000	7.00-9.00	7.8999	1984-03	\$ 2,500,000
GO Bonds	06/01/84	55,000,000	9.00-9.75	9.3989	1985-04	5,500,000
GO Bonds	05/01/85	65,000,000	7.60-8.60	8.2205	1986-05	9,750,000
GO Bonds	04/01/86	50,000,000	5.80-6.30	6.0956	1987-06	10,000,000
GO Bonds	04/01/91	60,000,000	6.30-6.75	6.5230	1992-03	3,000,000
GO Bonds	10/01/91	70,000,000	5.75-6.125	5.9747	1992-02	3,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75-5.80	5.7431	1993-10	177,708,054
GO Bonds	10/01/92	115,000,000	5.00-5.75	5.4740	1993-03	11,500,000
GO Refunding Bonds	08/15/93	60,005,000	2.50-5.00	4.9908	1994-11	56,210,000
GO Bonds	10/01/93	100,000,000	4.40-4.90	4.6899	1994-13	60,000,000
GO Bonds	10/01/94	100,000,000	5.20-6.125	5.7958	1995-08	35,000,000
GO Bonds	03/15/96	120,000,000	5.10-5.50	5.2946	1997-08	36,000,000
GO Bonds	04/15/97	115,000,000	5.00-5.375	5.3226	1998-17	57,500,000
GO Refunding Bonds	01/01/98	69,510,000	3.90-5.25	4.6400	2003-15	69,510,000
GO Bonds	04/01/98	115,000,000	4.875	4.7607	1999-18	92,000,000
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	102,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	71,500,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	133,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	146,375,000
GO Bonds	02/01/02	160,000,000	3.50-5.00	4.4619	2003-22	<u>160,000,000</u>
Total						<u>\$1,242,553,054</u>

* True Interest Cost.

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Table 4
General Obligation Bonds Authorized – Unissued
As of June 30, 2002

<u>Purpose</u>	<u>Chapter</u>	<u>Act</u>	<u>Amount</u>	<u>Amount Unissued</u>
General County, Parks, and Consolidated Fire Tax District	19	1998	\$113,400,000	\$ 27,890,000
	18	1999	33,500,000	33,500,000
	22	2000	78,300,000	78,300,000
	17	2001	<u>35,200,000</u>	<u>35,200,000</u>
			<u>260,400,000</u>	<u>174,890,000</u>
Road & Storm Drainage	19	1998	77,000,000	5,410,000
	18	1999	30,000,000	30,000,000
	22	2000	77,600,000	77,600,000
	17	2001	<u>10,630,000</u>	<u>10,630,000</u>
			<u>195,230,000</u>	<u>123,640,000</u>
Public Schools and Community College	22	2000	82,900,000	6,013,000
	17	2001	<u>159,755,000</u>	<u>159,755,000</u>
			<u>242,655,000</u>	<u>165,768,000</u>
Mass Transit	18	1999	400,000	105,000
	22	2000	1,400,000	1,400,000
	17	2001	<u>6,700,000</u>	<u>6,700,000</u>
			<u>8,500,000</u>	<u>8,205,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	<u>855,000</u>	<u>855,000</u>
			<u>5,630,000</u>	<u>5,570,000</u>
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	<u>1,220,000</u>	<u>1,220,000</u>
			<u>4,165,000</u>	<u>3,265,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	<u>1,050,000</u>	<u>1,050,000</u>
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>13,315,000</u>	<u>8,130,000</u>
Total General Obligation Bonds			<u>\$725,730,000</u>	<u>\$486,203,000</u>

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1984, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Table 5
Bond Anticipation Notes Outstanding
As of June 30, 2002

<u>Issue</u>	<u>Balance July 1, 2001</u>	<u>BANs Issued</u>	<u>BANs Retired</u>	<u>Balance June 30, 2002</u>
BAN Series 1995-H	\$ 20,000,000	\$ --	\$ 20,000,000	\$ --
BAN Series 1995-I	105,000,000	--	105,000,000	--
BAN Series 1995-J	--	75,000,000	75,000,000	--
BAN Series 1995-K	--	85,000,000	85,000,000	--
BAN Series 2002-A	<u>--</u>	<u>125,000,000</u>	<u>--</u>	<u>125,000,000</u>
Total	<u>\$125,000,000</u>	<u>\$285,000,000</u>	<u>\$285,000,000</u>	<u>\$125,000,000</u>

(The remainder of this page has been left blank intentionally.)

Table 6
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual ⁽⁴⁾			Fiscal Year Budget 2002 ⁽⁵⁾	Fiscal Year Actual 2002 (Unaudited)
	1999	2000	2001		
Revenues:					
Taxes:					
Property, including interest & penalty	\$ 593,103,639	\$ 610,403,414	\$ 623,819,661	\$ 643,515,740	\$ 644,523,032
Transfer tax and recordation tax	93,009,575	99,771,486	102,381,412	94,680,000	132,085,074
County income tax	689,203,638	761,148,755	812,352,208	823,950,000	866,996,269
Other taxes	45,183,618	43,312,655	46,768,742	46,020,000	43,704,476
Total Taxes	1,420,500,470	1,514,636,310	1,585,322,023	1,608,165,740	1,687,308,851
Licenses and permits	4,338,599	4,508,738	4,631,314	4,964,600	4,857,707
Intergovernmental revenue	93,255,279	98,051,154	102,932,299	111,228,860	115,791,737
Charges for services	7,337,927	7,904,754	8,961,699	8,807,095	7,262,727
Fines and forfeitures	3,188,275	4,550,638	6,195,417	8,914,180	7,143,920
Investment income	18,155,871	21,831,424	16,998,296	23,581,000	8,270,355
Miscellaneous	8,061,519	8,300,775	9,596,381	8,379,429	10,598,490
Total Revenues	<u>1,554,837,940</u>	<u>1,659,783,793</u>	<u>1,734,637,429</u>	<u>1,774,040,904</u>	<u>1,841,233,787</u>
Expenditures (including encumbrances):					
General County:					
General government ⁽¹⁾	139,868,204	152,711,792	156,635,507	166,332,389	161,204,882
Public safety	149,815,388	163,575,547	172,137,027	187,406,298	188,059,119
Transportation and public works	36,671,572	35,155,518	36,326,517	33,682,563	32,518,389
Health and human services	115,372,553	130,598,688	145,121,009	152,427,034	149,134,783
Culture and recreation	34,407,208	37,032,110	37,985,645	45,384,621	44,090,316
Housing and community development	2,883,758	4,104,510	4,256,355	3,795,700	3,632,055
Environment	3,197,837	3,549,047	4,502,897	4,466,186	4,349,786
Total Expenditures	<u>482,216,520</u>	<u>526,727,212</u>	<u>556,964,957</u>	<u>593,494,791</u>	<u>582,989,330</u>
Operating Transfers In (Out):					
Operating Transfers In:					
Special Revenue Funds	9,091,019	10,117,342	10,283,760	12,850,550	12,850,550
Enterprise Funds	17,042,960	17,248,580	19,679,903	30,453,480	33,378,200
Trust Funds	--	--	--	--	--
Internal Service Funds	--	--	--	500,000	500,000
Component Units	110,000	192,696	644,650	103,750	612,754
Total Operating Transfers In	<u>26,243,979</u>	<u>27,558,618</u>	<u>30,608,313</u>	<u>43,907,780</u>	<u>47,341,504</u>
Operating Transfers Out:					
Special Revenue Funds	(11,590,135)	(15,719,842)	(25,516,861)	(20,709,117)	(28,275,375)
Debt Service Fund	(136,484,729)	(134,767,348)	(143,528,192)	(164,804,300)	(157,010,129)
Capital Projects Fund	(14,189,353)	(38,907,827)	(52,079,521)	(122,120,316)	(61,368,324)
Enterprise Funds	(3,903,074)	(5,988,835)	(4,326,035)	(3,755,716)	(3,143,120)
Internal Service Funds	(1,410,500)	(615,290)	(1,581,897)	(501,310)	(471,622)
Component Units ^(1,2)	(883,972,417)	(938,162,658)	(1,036,644,903)	(1,135,650,652)	(1,117,630,064)
Total Transfers Out	<u>(1,051,550,208)</u>	<u>(1,134,161,800)</u>	<u>(1,263,677,409)</u>	<u>(1,447,541,411)</u>	<u>(1,367,898,634)</u>
Net Operating Transfers In (Out)	<u>(1,025,306,229)</u>	<u>(1,106,603,182)</u>	<u>(1,233,069,096)</u>	<u>(1,403,633,631)</u>	<u>(1,320,557,130)</u>
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	<u>47,315,191</u>	<u>26,453,399</u>	<u>(55,396,624)</u>	<u>(223,087,518)</u>	<u>(62,312,673)</u>
Fund Balances, July 1 as previously stated	148,530,451	211,266,962	255,964,974	230,423,758	230,423,758
Net Adjustment for previous year encumbrances ⁽³⁾	<u>15,211,912</u>	<u>18,244,613</u>	<u>29,855,408</u>	<u>29,312,780</u>	<u>27,050,842</u>
Fund Balances, July 1 restated	163,742,363	229,511,575	285,820,382	259,736,538	257,474,600
Equity transfers in (out)	209,408	--	--	--	--
Budgetary Fund Balance, June 30 ⁽¹⁾	<u>\$ 211,266,962</u>	<u>\$ 255,964,974</u>	<u>\$ 230,423,758</u>	<u>\$ 36,649,020</u>	<u>\$ 195,161,927</u>

(1) FY01 fund balance restated for Component Unit capital transfers (\$1,110,423) and Silver Spring land adjustment (\$3,106,570).

(2) Amount for FY00 restated to comply with Governmental Accounting Standards Board Statement Number 33.

(3) FY02 prior year encumbrances are net of sundry revenue adjustment.

(4) Amounts for FY99-01 are audited.

(5) Updated for budget adjustments as of June 30, 2002.

Note: Actual and budget amounts are for fiscal years ended June 30.

Table 7
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002 (Unaudited)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	\$211,266,962	\$255,964,974	\$230,423,758	\$195,161,927
Plus encumbrances outstanding	20,625,655	33,029,310	29,312,780	25,357,214
Adjustment for prior year encumbrances	(2,492,577)	(2,381,042)	(3,173,902)	(2,261,938)
Unrealized investment gain (loss)	(1,290,016)	1,169,668	142,060	(1,973,055)
Net differences between beginning fund balances ⁽¹⁾	<u>2,147,311</u>	<u>745,760</u>	<u>3,123,811</u>	<u>2,973,976</u>
GAAP Fund Balance as Reported	<u>\$230,257,335</u>	<u>\$288,528,670</u>	<u>\$259,828,507</u>	<u>\$219,258,124</u>
Elements of GAAP Fund Balance:				
Reservations	\$ 22,947,323	\$ 36,225,684	\$ 32,711,557	\$ 29,201,708
Designated for CIP Transfers	31,294,410	36,001,151	54,234,669	55,822,587
Designated for subsequent years expenditures	85,527,972	140,856,091	116,684,146	61,325,631
Unreserved / Undesignated	<u>90,487,630</u>	<u>75,445,744</u>	<u>56,198,135</u>	<u>72,908,198</u>
	<u>\$230,257,335</u>	<u>\$288,528,670</u>	<u>\$259,828,507</u>	<u>\$219,258,124</u>

(1) Amount restated to break out the impact of unrealized investment gains (losses).

Note: All amounts are for fiscal years ended June 30.

TAX MATTERS

State of Maryland Taxation

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Series 2003A Bonds and profit realized from the sale or exchange of the Series 2003A Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Series 2003A Bonds or the interest thereon.

Certain United States Federal Income Tax Consequences

The interest on the Series 2003A Bonds will be includible in gross income for federal income tax purposes.

This section summarizes certain United States federal income tax consequences of the purchase, ownership and disposition of the Series 2003A Bonds. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change or differing interpretations. It addresses only Series 2003A Bonds held as capital assets and does not address persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities who elect to use a mark-to-market method of accounting for their securities holdings, partnerships or other entities classified as partnerships for U.S. federal tax purposes, persons subject to the alternative minimum tax, persons holding Series 2003A Bonds as a hedge against currency risks or as a position in a straddle for tax purposes, or persons whose functional currency is not the United

States dollar. It also does not address holders other than original purchasers (except where otherwise specifically noted). It also does not address state, local or foreign law. Moreover, the Authority has not requested a ruling from the United States Internal Revenue Service (the “IRS”) on the consequences of owning the Series 2003A Bonds. As a result, the IRS could disagree with portions of this discussion. Persons considering the purchase of the Series 2003A Bonds should consult their own tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Series 2003A Bonds arising under the laws of any other taxing jurisdiction.

BECAUSE THE EXACT PRICING AND OTHER TERMS OF THE SERIES 2003A BONDS WILL VARY, NO ASSURANCE CAN BE GIVEN THAT THE CONSIDERATIONS DESCRIBED BELOW WILL APPLY TO A PARTICULAR SERIES 2003A BOND.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2003A Bond that is for United States federal income tax purposes:

- a citizen or resident of the United States,
- a corporation, including an entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or
- an estate or trust whose income is subject to United States federal income tax regardless of its source.

As used herein, the term “non-U.S. Holder” means a beneficial owner of a Series 2003A Bond that is not a U.S. Holder and is not a partnership.

If a partnership holds Series 2003A Bonds, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Any partner of a partnership holding Series 2003A Bonds should consult its tax advisor.

United States Holders

Payments Of Interest. Payments of interest on a Series 2003A Bond, other than interest on an “Original Issue Discount Bond” that is not “qualified stated interest,” each as defined below, generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the U.S. Holder's regular method of tax accounting.

Original Issue Discount. The following summary is a general discussion of the United States federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2003A Bonds issued with original issue discount (“Original Issue Discount Bonds”). The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the IRS under the original issue discount provisions of the Internal Revenue Code of 1986, as amended (the “Code”).

For United States federal income tax purposes, “original issue discount” is the excess of the stated redemption price at maturity of a Series 2003A Bond over its issue price, if such excess equals or exceeds a de minimis amount. This amount is generally $\frac{1}{4}$ of 1% of the Series 2003A Bond's stated redemption price at maturity multiplied either by the number of complete years to its maturity from its issue date or, in the case of a Series 2003A Bond providing for the payment prior to maturity of any amount other than qualified stated interest, as defined below, multiplied by the weighted average maturity of such Series 2003A Bond. The issue price of each Series 2003A Bond equals the first price at which a substantial amount of such Series 2003A Bonds has been sold, ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The “stated redemption price at maturity” of a Series 2003A Bond is the sum of all payments provided by the Series 2003A Bond other than qualified stated interest payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property, other than debt

instruments of the issuer, at least annually over the entire term of the Series 2003A Bond at a single fixed rate or in certain cases, one or more floating rates that appropriately take into account the length of the interval between stated interest payments.

Payments of qualified stated interest on a Series 2003A Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder of an Original Issue Discount Bond having a maturity of more than one year from its date of issue must include original issue discount in income as ordinary interest income for United States federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an Original Issue Discount Bond is the sum of the daily portions of original issue discount with respect to such Original Issue Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Original Issue Discount Bond. The daily portion of original issue discount on any Original Issue Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Original Issue Discount Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The OID Regulations contain certain rules that generally allow any reasonable method to be used in determining the amount of original issue discount allocable to a short initial accrual period (if all other accrual periods are of equal length) and require that the amount of original issue discount allocable to the final accrual period equal the excess of the amount payable at the maturity of the Original Issue Discount Bond (other than any payment of qualified stated interest) over the Original Issue Discount Bond's adjusted issue price as of the beginning of such final accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between:

- the product of the Original Issue Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and
- the amount of any qualified stated interest payments allocable to such accrual period.

The adjusted issue price of an Original Issue Discount Bond at the beginning of any accrual period is the sum of the issue price of the Original Issue Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Original Issue Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

If (1) a portion of the initial purchase price of a Series 2003A Bond is attributable to interest that accrued prior to the Series 2003A Bond's issue date (pre-issuance accrued interest), (2) the first stated interest payment on the Series 2003A Bond is to be made within one year of the Series 2003A Bond's issue date and (3) such payment will equal or exceed the amount of pre-issuance accrued interest, then the U.S. Holder may elect to decrease the issue price of the Series 2003A Bond by the amount of pre-issuance accrued interest, in which case a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Series 2003A Bond.

Acquisition Premium. A U.S. Holder who purchases an Original Issue Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Original Issue Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Original Issue Discount Bond at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such Original Issue Discount Bond for

any taxable year or portion thereof in which the U.S. Holder holds the Original Issue Discount Bond will be reduced, but not below zero, by the portion of the acquisition premium properly allocable, on a constant yield basis, to the period.

Optional Redemption. Series 2003A Bonds subject to optional redemption prior to their stated maturity may be subject to rules that differ from the general rules discussed above. For purposes of accruing original issue discount, a call option will be presumed to be exercised if, by utilizing any date on which the Series 2003A Bond may be redeemed or repaid as its maturity date and the amount payable on that date in accordance with the terms of the Series 2003A Bond (the redemption price) as its stated redemption price at maturity, the yield on the Series 2003A Bond is lower than its yield to maturity in the absence of the exercise of such option.

If such an option is not in fact exercised when presumed to be, the Series 2003A Bond will be treated, solely for purposes of accruing original issue discount, as if it were redeemed, and a new Series 2003A Bond issued, on the presumed exercise date for an amount equal to its adjusted issue price on that date. Investors intending to purchase Series 2003A Bonds with such a call option should consult their own tax advisors, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Series 2003A Bonds.

Election To Treat All Interest As Original Issue Discount. U.S. Holders may generally, upon election, include in income all interest, including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium, that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election applies only to the Series 2003A Bond for which it is made and cannot be revoked without the consent of the IRS. A U.S. Holder considering such an election should consult a tax advisor.

Information Reporting. Because the Series 2003A Bonds will constitute publicly offered debt instruments as defined by the OID Regulations, the Authority is required to report to the IRS on Form 8281, within 30 days after the issue date, certain information relating to original issue discount with respect to each such issue. The amount of original issue discount includable in the gross income of a Holder of Series 2003A Bonds for each calendar year will be reported annually to the IRS and to each holder of record, determined without regard to any acquisition premium paid by any holder, except certain exempt holders, including corporations. Additional information reporting requirements are discussed below under “Backup Withholding.”

Short-Term Series 2003A Bonds. In the case of Series 2003A Bonds that have a fixed maturity of one year or less (Short-Term Series 2003A Bonds), no interest will be qualified stated interest. The amount of original issue discount is calculated in the same manner as described above, taking this rule into account. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, the U.S. Holder is taxed when it actually receives payments, and any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Bond will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon such election, under the constant yield method based on daily compounding, through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Bond will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for United States federal income tax purposes under the accrual method, and certain other holders including banks and dealers in securities, are required to accrue original issue discount on a Short-Term Bond on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method, based on daily compounding.

Market Discount. If a U.S. Holder purchases a Series 2003A Bond, other than an Original Issue Discount Bond, at original issue for an amount that is less than its issue price or, in the case of a

subsequent purchaser, its stated redemption price at maturity or, in the case of an Original Issue Discount Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2003A Bond at a market discount, unless such market discount is less than a specified de minimis amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment or, in the case of an Original Issue Discount Bond, any payment that does not constitute qualified stated interest on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2003A Bond as ordinary income to the extent of the lesser of:

- the amount of such payment or realized gain, or
- the market discount which has not previously been included in income and is treated as having accrued on such Series 2003A Bond at the time of such payment or disposition.

Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Series 2003A Bond, unless the U.S. Holder elects (as described below) to accrue market discount on a constant yield basis.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2003A Bond with market discount until the maturity of the Series 2003A Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues on either a ratable or constant yield basis, in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Series 2003A Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for United States federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Series 2003A Bond for an amount that is greater than the sum of all amounts payable on the Series 2003A Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Series 2003A Bond with amortizable bond premium equal in amount to such excess. In the case of a Series 2003A Bond that may be optionally redeemed prior to maturity, however, the amount of amortizable bond premium is determined by substituting the first date on which the debt instrument may be redeemed (the redemption date) for the maturity date and the applicable redemption price on the redemption date for the amount payable at maturity if the result would increase the holder's yield to maturity (i.e., result in a smaller amount of amortizable bond premium properly allocable to the period before the redemption date). If the Authority does not in fact exercise its right to redeem the Series 2003A Bond on the applicable redemption date, the Series 2003A Bond will be treated (for purposes of the amortizable bond premium rules) as having matured and then as having been reissued for the holder's adjusted acquisition price, which is an amount equal to the holder's basis in the debt instrument (as determined under Treasury regulations governing amortizable bond premium), less the sum of:

- any amortizable bond premium allocable to prior accrual periods and
- any payments previously made on the Series 2003A Bond other than payments of qualified stated interest.

The Series 2003A Bond deemed to have been reissued will again be subject to the amortizable bond premium rules with respect to the remaining dates on which it is redeemable.

A U.S. Holder must make an election to amortize bond premium on a debt instrument. Once made, the election applies to all taxable debt instruments then owned and thereafter acquired by the U.S. Holder on or after the first day of the taxable year to which such election applies, and may be revoked only

with the consent of the IRS. In general, a holder amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to the accrual period, which is determined under a constant yield method. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to such period, the excess is treated by the holder as a bond premium deduction. The bond premium deduction for each accrual period is limited to the amount by which the holder's total interest inclusions on the debt instrument in prior accrual periods exceed the total amount treated by such holder as a bond premium deduction on the debt instrument in prior accrual periods. Any amounts not deductible in an accrual period may be carried forward to the next accrual period and treated as bond premium allocable to that period.

Disposition Of A Series 2003A Bond. Except as discussed above, upon the sale, exchange or retirement of a Series 2003A Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement, other than amounts representing accrued and unpaid interest, and such U.S. Holder's adjusted tax basis in the Series 2003A Bond. However, if a U.S. Holder sells its Series 2003A Bond between interest payment dates, the portion of the amount received that reflects accrued but unpaid interest will be treated as ordinary interest income and not as sale proceeds. A U.S. Holder's adjusted tax basis in a Series 2003A Bond generally will equal such U.S. Holder's initial investment in the Series 2003A Bond increased by any original issue discount included in income and accrued market discount, if any, if the U.S. Holder has included such market discount in income and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2003A Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2003A Bond is held for more than the applicable holding period. Non-corporate taxpayers are generally subject to reduced maximum rates on long-term capital gains and are generally subject to tax at ordinary income rates on short-term capital gains. The deductibility of capital losses is subject to certain limitations. Prospective investors should consult their own tax advisors concerning these tax law provisions.

Integration Of Series 2003A Bonds With Hedges. The OID Regulations generally provide that, if a Holder of a Series 2003A Bond hedges the Series 2003A Bond with a financial instrument and the combined cash flows under the Series 2003A Bond and the financial instrument are substantially equivalent to the cash flows on a fixed or variable rate debt instrument, the Series 2003A Bond and the financial instrument may be taxed as an integrated transaction by treating the positions as a synthetic debt instrument. Such treatment applies if the taxpayer identifies the positions as part of an integrated transaction on its books and records and certain other requirements are satisfied. In addition, the IRS can require the positions to be taxed as an integrated transaction under certain circumstances. U.S. Holders should consult their tax advisors regarding the possible application of these rules to the Series 2003A Bonds.

Non-U.S. Holders

Subject to the discussion below under "Backup Withholding", a non-U.S. Holder will generally not be subject to United States withholding taxes on payments of principal, premium, if any, or interest, including original issue discount, if any, on a Series 2003A Bond, unless such non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Code. However, to qualify for the exemption from withholding, the non-U.S. Holder must meet one of the following requirements.

- It provides a completed Form W-8BEN (or substitute form) to the bank, broker or other intermediary through which it holds its Series 2003A Bonds. The Form W-8BEN contains the non-U.S. Holder's name, address and a statement that it is the beneficial owner of the Series 2003A Bonds and that it is not a U.S. Holder.
- It holds its Series 2003A Bonds directly through a "qualified intermediary", and the qualified intermediary has sufficient information in its files indicating that the non-U.S. Holder is not a U.S. Holder. A qualified intermediary is a bank, broker or other intermediary that (1) is either a U.S. or non-U.S. entity, (2) is acting out of a non-U.S. branch or office and (3) has

signed an agreement with the IRS providing that it will administer all or part of the U.S. tax withholding rules under specified procedures.

- It is entitled to an exemption from withholding tax on interest under a tax treaty between the U.S. and its country of residence. To claim this exemption, the non-U.S. Holder must generally complete Form W-8BEN and fill out Part II of the form to state its claim for treaty benefits. In some cases, the non-U.S. Holder may instead be permitted to provide documentary evidence of its claim to the intermediary, or a qualified intermediary may already have some or all of the necessary evidence in its files.

Even if the non-U.S. Holder meets one of the above requirements, interest paid to it will be subject to withholding tax under any of the following circumstances:

- The withholding agent or an intermediary knows or has reason to know that the non-U.S. Holder is not entitled to an exemption from withholding tax. Specific rules apply for this test.
- The IRS notifies the withholding agent that information that the non-U.S. Holder or an intermediary provided concerning the non-U.S. Holder's status is false.
- An intermediary through which the non-U.S. Holder holds the Series 2003A Bonds fails to comply with the procedures necessary to avoid withholding taxes on the Series 2003A Bonds. In particular, an intermediary is generally required to forward a copy of the non-U.S. Holder's Form W-8BEN (or other documentary information concerning the non-U.S. Holder's status) to the withholding agent for the Series 2003A Bonds. However, if the non-U.S. Holder holds its Series 2003A Bonds through a qualified intermediary--or if there is a qualified intermediary in the chain of title between the non-U.S. Holder and the withholding agent for the Series 2003A Bonds--the qualified intermediary will not generally forward this information to the withholding agent.
- The interest is considered contingent interest under Section 871(h)(4)(A) of the Code and the Treasury Regulations thereunder.

Interest payments made to a non-U.S. Holder will generally be reported to the IRS and to the non-U.S. Holder on Form 1042-S. However, this reporting does not apply to the non-U.S. Holder if one of the following conditions applies:

- It holds its Series 2003A Bonds directly through a qualified intermediary and the applicable procedures are complied with.
- It files Form W-8ECI.

The rules regarding withholding are complex and vary depending on a non-U.S. Holder's individual situation. They are also subject to change. In addition, special rules apply to certain types of non-U.S. Holders of Series 2003A Bonds, including partnerships, trusts, and other entities treated as pass-through entities for U.S. federal income tax purposes. A non-U.S. Holder should consult its tax advisor regarding the specific methods for satisfying these requirements.

Notwithstanding the foregoing, a non-U.S. Holder generally will be taxed in the same manner as a U.S. Holder with respect to interest income that is effectively connected with a U.S. trade or business of the non-U.S. Holder, except to the extent that an applicable tax treaty provides otherwise. Under certain circumstances, effectively connected interest income of a corporate non-U.S. Holder may be subject to an additional branch profits tax at a 30% rate (or, if applicable, a lower treaty rate). Even though effectively connected interest income is subject to U.S. federal income tax, and may be subject to the branch profits tax, it is not subject to withholding tax if it is not exempt from U.S. tax under a tax treaty and the non-U.S. Holder properly completes IRS Form W-8ECI.

Generally, a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 2003A Bond, provided none of the following apply: (1) the gain is effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder; (2) the non-U.S. Holder is an individual that is present in the U.S. for at

least 183 days during the year in which it disposes of the Series 2003A Bond, and certain other conditions are satisfied; or (3) the gain represents accrued interest or original issue discount, in which case the rules for interest would apply.

The Series 2003A Bonds will not be includable in the estate of a non-U.S. Holder unless at the time of death payments in respect of the Series 2003A Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding

Backup withholding of United States federal income tax at a rate of up to 31% may apply to payments made in respect of the Series 2003A Bonds to registered owners who are not exempt recipients and who fail to provide certain identifying information, such as the registered owner's taxpayer identification number, in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Information concerning payments made in respect of the Series 2003A Bonds must be reported to the IRS and to the registered owner on IRS Form 1099, unless the registered owner is an exempt recipient or establishes an exemption. In the case of the non-U.S. Holders, compliance with the procedures required to qualify for an exemption from United States withholding taxes, as described in the preceding section, would also establish an exemption from backup withholding and from such reporting of information. However, this exemption does not apply if the withholding agent or an intermediary knows or has reason to know that the non-U.S. Holder should be subject to the usual information reporting and backup withholding rules.

In addition, as described above, interest payments made to a non-U.S. Holder may be reported to the IRS on Form 1042-S. Further, upon the sale of a Series 2003A Bond to or through a United States broker or a broker with certain connections to the United States under circumstances in which the back-up withholding requirements apply, the broker must withhold up to 31% of the entire purchase price, unless either (1) the broker determines that the seller is a corporation or other exempt recipient or (2) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Holder, certifies that such seller is a non-U.S. Holder and certain other conditions are met.

Such a sale must also be reported by the broker to the IRS, unless either: (1) the broker determines that the seller is an exempt recipient or (2) the seller certifies its non-U.S. status and certain other conditions are met.

Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.

THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2003A BONDS IN LIGHT OF HIS OR HER PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. EACH HOLDER OF SERIES 2003A BONDS SHOULD CONSULT SUCH HOLDER'S TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF THE SERIES 2003A BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, OR SUBSEQUENT VERSIONS THEREOF.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, tax-exempt nature and validity of the Series 2003A Bonds are subject to the approving opinion of Bond Counsel.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for under the Trust Agreement may not be readily available or may be limited. The enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

ABSENCE OF MATERIAL LITIGATION

In the opinion of the County Attorney of the County, there is no pending or threatened litigation to which the Authority or the County is a party which in any way questions or affects the validity of the Series 2003A Bonds, or any proceedings or transactions relating to their issuance, sale and delivery.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Rating Group have given the Bonds the respective ratings indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

SALE AT COMPETITIVE BIDDING

The Series 2003A Bonds were offered by the Authority at a competitive bidding on January 14, 2003. The interest rates shown on the inside front cover of this Official Statement are the interest rates payable by the Authority resulting from the successful bid for the Series 2003A Bonds by a group of banks and investment banking firms at the competitive bidding. The prices or yields shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Series 2003A Bonds should be obtained from the successful bidders and not from the Authority.

FINANCIAL ADVISOR

Public Financial Management, Inc., Philadelphia, Pennsylvania, has rendered financial advice to the Authority and the County in the preparation of this Official Statement.

CONTINUING DISCLOSURE

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the Authority and the County, as the "obligated persons" (as defined in Rule 15c2-12) with respect to the Series 2003A Bonds, will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Series 2003A Bonds. The terms of the Continuing Disclosure Agreement are summarized in "APPENDIX C –

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT.” Potential purchasers of the Series 2003A Bonds should note that the definition of Reportable Events summarized in Appendix C is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Series 2003A Bonds, such as the possibility of unscheduled draws on debt service reserve funds and events affecting the tax-exempt status of the Series 2003A Bonds.

Neither the Authority nor the County has ever failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

FINANCIAL STATEMENTS

The audited general purpose financial statements of the County included in the County’s Annual Information Statement dated December 28, 2001 and incorporated herein by reference as Appendix A to this Official Statement have been audited by KPMG LLP (KPMG), independent public accountants, as indicated in their report with respect thereto. In that report, KPMG states that with respect to certain of the County’s component units, its opinion is based on the reports of other independent public accountants. The report of KPMG also contains an explanatory paragraph which states that KPMG did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the qualification of said firm to issue said report.

RELATIONSHIPS

Venable, Baetjer and Howard, LLP is serving as Bond Counsel to the Authority and as counsel to the County in connection with the issuance of the Series 2003A Bonds. Venable, Baetjer and Howard, LLP is also rendering certain advice to the Manager in connection with the management of the Hotel, but not in connection with the management of the Project.

MISCELLANEOUS

All references to the Lease Agreement and the Trust Agreement and other documents mentioned herein, including any summaries thereof, are qualified in their entirety by reference to such documents. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2003A Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2003A Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

MONTGOMERY COUNTY REVENUE AUTHORITY

By: /S/ MARC D. ATZ
Executive Director

**ANNUAL INFORMATION STATEMENT
DATED DECEMBER 28, 2001**

**(Provided under separate cover
and incorporated herein by reference)**

The County's Annual Information Statement dated December 28, 2001 may be downloaded from bonds.montgomerycountymd.gov, located at the tab for Annual Information Statement.

The County is in the process of preparing a revised Annual Information Statement, to include audited financial statements for the year ended June 30, 2002. This revised Annual Information Statement will be available to be downloaded from bonds.montgomerycountymd.gov, located at the tab for Annual Information Statement. The County presently anticipates that the revised Annual Information Statement will be available for download on or about January 31, 2003.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

Montgomery County Revenue Authority
Rockville, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to the Montgomery County Revenue Authority (the "Authority") in connection with the issuance of its \$11,835,000 Taxable Lease Revenue Bonds (Montgomery County Conference Center Project) Series 2003A (the "Bonds"). In such capacity, we have examined:

- (i) Chapter 42 of the Montgomery County Code (1994 Edition), as amended (the "Act");
- (ii) a Trust Agreement dated as of June 15, 1999, as supplemented by the First Supplemental Trust Agreement dated as of January 15, 2003 (as supplemented, the "Trust Agreement") between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee") authorizing the issuance of the Bonds;
- (iii) a Master Lease Agreement dated as of June 15, 1999, as supplemented by Appendix No. 1 dated June 28, 1999 and by Appendix No. 2 dated January , 2003 (as supplemented, the "Lease Agreement"), between the Authority and Montgomery County, Maryland (the "County");
- (iv) the executed and authenticated Bonds;
- (v) relevant provisions of the Constitution and laws of the State of Maryland;
- (vi) certified proceedings of the Authority and of the County; and
- (vii) other proofs and opinions submitted to us relative to the issuance of the Bonds.

The Bonds are issued as fully-registered Bonds in the denominations of \$5,000 each or any integral multiple thereof. The Bonds bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Authority and of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

We express no opinion as to the title to any real or personal property.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

Based on the foregoing, it is our opinion that, under existing law:

- (a) The Authority is a validly created and existing body politic and corporate and an

instrumentality of the County, having full power and authority to issue the Bonds.

(b) The Trust Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the Authority.

(c) The Lease Agreement has been duly authorized, executed and delivered between the parties thereto and constitutes the valid and binding obligation of the Authority and the County.

(d) The Bonds have been duly authorized, executed and delivered as set forth in the Trust Agreement, and constitute valid and binding limited obligations of the Authority.

(e) By the terms of the Act and the Trust Agreement, neither the Bonds nor the interest thereon shall ever constitute an indebtedness or general obligation of the Authority or a charge against, or pledge of the general credit or taxing powers of the Authority, within the meaning of any constitutional or charter provision or statutory limitation, and neither shall ever constitute or give rise to any pecuniary liability of the Authority. The Bonds and the interest thereon are limited obligations of the Authority, repayable by the Authority solely from the moneys and property pledged to their payment under the Trust Agreement, including the payments to be made by the County under the Lease Agreement. The County has not pledged its full faith and credit or its taxing powers to the payments to be made under the Lease Agreement. The obligation of the County to make payments under the Lease Agreement is subject to annual appropriation as provided in the Lease Agreement.

(f) The interest on the Bonds is includable in gross income for Federal income tax purposes.

(g) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (f) and (g), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Set forth in this APPENDIX C are definitions of certain terms used in this Official Statement and summaries of certain provisions of the principal legal documents. The summaries of the principal legal documents contained in this APPENDIX C do not purport to be complete, and reference is made to the the Lease Agreement, the Trust Agreement and the Continuing Disclosure Agreement for complete statements of their respective terms.

DEFINITIONS OF CERTAIN TERMS

Below are definitions of certain terms used herein and in the Lease Agreement and the Trust Agreement. Terms not defined under this caption or elsewhere in this Official Statement shall have the meanings assigned to them in the Lease Agreement or the Trust Agreement.

“Bond Year” means the period of 12 consecutive months ending on June 30 in any year during which Bonds are or will be Outstanding; provided, however, the final Bond Year shall end on the date on which funds are deposited with the Trustee in an amount sufficient to pay or redeem the last Bonds. For purposes of this definition, the term outstanding shall include Bonds which are deemed paid in accordance with the Trust Agreement.

“Business Day” means a day other than (i) a Saturday, Sunday or legal holiday in the State or the County or (ii) any other day on which banking institutions are authorized or required by law to be closed in the State.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code that is applicable to the Bonds or the use of the proceeds thereof shall be deemed to include the regulations promulgated thereunder, now in effect or promulgated hereafter from time to time.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the execution and delivery of the Lease Agreement and the Trust Agreement, and other documents related thereto or to the Project, or the execution, sale and delivery of the Bonds, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, reporting fees, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds, securities depository fees and charges and fees in connection with the foregoing, and title company fees and expenses.

“County Representative” means the Director of Finance of the County or any other person designated by the Director of Finance as authorized to act on behalf of the County under or with respect to the Trust Agreement in a written authorization filed with the Trustee.

“Event of Default” means, with respect to the Trust Agreement, subject to the provisions of the Lease Agreement relating to nonappropriation, (i) the failure of the County to perform any of its obligations (excepting only the obligation to make Lease Payments or pay any additional rent when due) under the Lease Agreement and the continuance thereof for more than 60 days (or such longer period as may be required, in the reasonable judgment of the Trustee, or at the written direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, to correct such default with the exercise of due diligence) and (ii) on any Payment Date, a failure of the County or the Authority to have deposited with, or made available to, the Trustee for deposit to the Lease Payment Fund, in accordance with the provisions of the Trust Agreement, an amount of funds sufficient to pay principal of, interest on, and redemption premiums (if any) then due and payable under the Bonds, and (iii) the County’s failure to make Lease Payments or pay any additional rent when due and the continuation of such failure for either (i) five days after written notice from the Authority or the Trustee specifying such failure or (ii) in the absence of such notice from the Authority or the Trustee, ten days.

“Federal Securities” means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of principal of and interest on which are guaranteed by, the United States of America, which are non-callable and which at the time of investment are legal investments under the laws of the State for trust funds held by the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Agreement” means the Master Lease Agreement with respect to the Project dated as of June 15, 1999 (including all Exhibits thereto), by and between the Authority, as lessor, and the County, as lessee, together with any duly authorized and executed amendments, modifications or supplements thereto.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Net Proceeds” means any insurance proceeds or condemnation award, to the extent remaining after payment therefrom of an expenses incurred in the collection thereof. Net Proceeds shall not include any amounts available to the County through its self-insurance program.

“Outstanding” or “outstanding”, when used as of any particular time with respect to Bonds, means (except for Bonds disqualified pursuant to the Trust Agreement) all Bonds theretofore executed by the Authority and authenticated and delivered by the Trustee under the Trust Agreement except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds for the payment or redemption of which funds or Federal Securities in the necessary amount shall have theretofore been deposited with the Trustee in accordance with the Trust Agreement (whether upon or prior to the maturity or redemption date of such Bonds); provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as described under “THE BONDS - Redemption of Bonds - Notice of Redemption” or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Bonds in lieu of or in exchange for which other Bonds shall have been executed by the Authority and authenticated and delivered by the Trustee as described under “THE BONDS - General”.

“Owner” or “Bond Owner” or “Owner of a Bond”, or any similar term, when used with respect to a Bond, means the person in whose name such Bond shall be registered on the registration books maintained by the Trustee.

“Permitted Investments” means any of the following which, at the time of investment, constitute legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) interest-bearing demand or time deposits (including bonds of deposit) in a federal- or State-chartered savings and loan association or in a federal or State bank (including the Trustee), provided that (a) such deposits are fully insured by the Federal Deposit Insurance Corporation, or (b) such deposits are fully secured by Federal Securities which are in the possession of the Trustee;
- (c) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which have a maturity of not more than 365 days and which are eligible for purchase by the Federal Reserve System and the obligations of which commercial bank or the obligations of the holding company of which carry one of the three highest rating categories by a Rating Agency.

(d) (i) obligations issued by any state, or the District of Columbia, or any political subdivision thereof, and any possession of the United States or any political subdivision thereof, the interest on which is excluded from the gross income of the owner thereof for Federal income tax purposes which has a short term credit rating of A-1 (or the equivalent thereof) or better or a long term credit rating of A+ (or the equivalent thereof) or better by a Rating Agency, or (ii) interests in money market funds or money market accounts (including those of the Trustee) which are rated “AAAm” (or the equivalent thereof) or “AAAm-G” (or the equivalent thereof) by a Rating Agency.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Rating Agencies” means each of Fitch Ratings, New York, New York, Moody’s Investors Service, Inc., New York, New York, and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or the successors of any of them.

“Record Date” means the close of business on the first day of the month of each Payment Date, whether or not such day is a Business Day.

“State” means the State of Maryland.

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following statements are a brief summary of certain provisions of the Lease Agreement. This summary does not purport to be complete and reference must be made to the Lease Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee. References in this summary to the Authority shall be deemed to include the Trustee, as the assignee of the Authority, to the extent the Authority has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Trust Agreement. See “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Assignment” herein.

Term

The term of the Lease Agreement shall be twenty-five years, commencing on the date of its execution and delivery and terminating on June 15, 2024. The County has the option to renew the Lease Agreement for an additional five years upon termination of the original term. When the Bonds shall have been retired and paid in full, or when provisions for their defeasance in full has been made pursuant to the Lease Agreement and the Trust Agreement, the Authority shall, at the option of the County, convey title to the Project to the County, in which event the Lease Agreement shall terminate.

Rent

The County shall pay to the Authority as rent semiannual payments (the “Lease Payments”) on the first day of February and August in each year, continuing for so long as the Bonds are outstanding, in an amount which shall not be less than the amounts required to pay, when due, the principal of and interest on the Bonds. In addition to the Lease Payments, the County has agreed to pay to the Authority, as additional rent, amounts sufficient to reimburse the Authority for its direct and indirect costs relating the Lease Agreement and the Bonds.

The County Executive shall, to the extent permitted by applicable law, do all things within the County Executive’s power annually to request the appropriation of funds from which the Lease Payments and all other payments to be made by the County under the Lease Agreement may be made, including (without limitation) the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet its annual obligations under the Lease Agreement in full in its next fiscal year budget. The County has further agreed to apply funds so appropriated toward the payment of its obligations under the Lease Agreement.

In the event sufficient funds shall not be appropriated or sufficient funds are not otherwise available for the applicable programs administered by the County in any fiscal year for the payment of Lease Payments due under the Lease Agreement, the County may terminate the Lease Agreement at the end of the last fiscal year or earlier date for which an appropriation is available and the County shall not be obligated to make payment of the Lease Payments provided for in the Lease Agreement beyond the last date for which an appropriation is available. Notwithstanding anything contained in the Lease Agreement to the contrary, if a request for an appropriation to pay a Lease Payment has been made by the County Executive to the County Council and the County Council fails to make the appropriation requested, the County shall have the right to terminate the Lease Agreement as described in this paragraph. The County shall report to the Authority and the Trustee on or before June 1 in each calendar year on the actions taken by the County Council on the County's budget for the fiscal year beginning July 1 of such calendar year as such actions regard appropriations for such fiscal year for Lease Payments and other amounts payable under the Lease Agreement during such fiscal year. The failure to give such notice shall not extend the term of the Lease Agreement beyond such fiscal year. Upon termination of the Lease Agreement for nonappropriation, the obligations of the County requiring the expenditure of money will cease so long as all payments previously approved or appropriated have been made, and all interest of the County in the Project under the Lease Agreement will terminate and be conveyed to the Authority (or the Trustee as the assignee of the Authority). The Authority (or the Trustee as the assignee of the Authority) may thereupon take possession of the Project and may take such other actions as are permitted to be taken upon an event of default under the Ground Lease, the Lease Agreement or the Trust Agreement. See "Default", and "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Events of Default and Remedies of Bond Owners" herein.

Non-substitution

The County agrees, to the extent permitted by applicable law, (i) not to terminate the Lease Agreement in any fiscal year for which sufficient funds are appropriated for the payment of Lease Payments due in that fiscal year for the acquisition (by either purchase or lease or otherwise), retention and/or operation of the Project, and (ii) the County Executive will use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet its obligations under the Lease Agreement in full in its next fiscal year budget. This provision shall not be construed so as to permit the County Executive to, and the County Executive shall not, terminate the Lease Agreement in order to acquire (through construction, purchase, lease or otherwise) similar, functionally similar or competitive improvements from any other party or to allocate funds to perform indirectly essentially the same functions to the same extent for which the Project is intended.

Obligations of County Absolute

Subject to an event of nonappropriation, the obligation of the County to pay Lease Payments and all other amounts payable under the Lease Agreement shall be absolute, irrevocable, complete and unconditional and the amount, manner and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever regardless of any right of setoff, recoupment or counterclaim that the County might otherwise have against the Authority or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during or after the completion of the Project, including, but without in any way limiting the generality of the foregoing:

(a) any damage to or destruction of any part or all of the Project, (b) the taking or damaging of any part or all of the Project by any public authority or agency in the exercise of the power of eminent domain or otherwise, except as otherwise provided in the Lease Agreement; (c) any assignment, novation, merger, consolidation, sale or transfer of assets, leasing or other similar transaction of or affecting the County, whether with or without the approval of the Authority, except as otherwise expressly provided in the Lease Agreement; (d) the expiration of any term, covenant or condition of the Lease Agreement pursuant to any provisions thereof or by operation of law, unless the Lease Agreement shall have terminated by operation of the provisions thereof; (e) any change or delay in the time of availability to the County for use of the Project or delays in the development, design, construction or equipping of the Project by the County; (f) the failure to complete or to maintain satisfactory progress in the development, design,

construction or equipping of the Project, whether due to the fault or negligence of Authority or any other cause or reason; (g) failure of consideration, failure of title or commercial frustration; and (h) any change in the tax or other laws of the United States of America or any other governmental authority; provided, however, that nothing in this provision shall preclude a separate action by the County with respect to any claim against the Authority.

Prepayment

(a) *Prepayment in Whole.* The County shall have the option to prepay the Lease Payments in whole at any time on or after February 1, 2013, by paying a prepayment price equal to the aggregate unpaid principal amount of all then outstanding Bonds, plus that amount of interest required to be paid with respect to all then outstanding Bonds on the next following Payment Date, all pursuant to the terms of the Bonds and the Trust Agreement. The County shall give the Trustee and the Authority written notice of its intention to exercise such option not less than 60 days in advance of the date of exercise.

(b) *Prepayment in Part.* The County shall have the option to prepay the Lease Payments in part on any Lease Payment Date on or after February 1, 2013, by paying a prepayment price in any integral multiple of \$5,000 (the "prepayment price"), plus that amount of interest payable with respect to Bonds in a principal amount equal to the prepayment price on the next following Payment Date, all pursuant to the terms of the Bonds and the Trust Agreement. The County shall give the Trustee and the Authority written notice of its intention to exercise such option not less than 60 days in advance of the date of exercise.

(c) *Security Deposit for all Lease Payments.* Notwithstanding any other provision of the Lease Agreement, the County may, on any date, secure the payment of all regularly scheduled Lease Payments by means of a deposit to the Security Deposit Fund established with the Trustee of as amount of: (1) cash which, together with amounts held by the Trustee under the Trust Agreement, and together with permissible interest to accrue thereon, or (2) non-callable Government Obligations, together with permissible interest to accrue thereon, and, if needed, cash, and, if needed, all or a portion of moneys or non-callable Government Obligations then on deposit with the Trustee under the Trust Agreement, which, in the opinion of an independent certified public accountant, will be fully sufficient to pay all unpaid payments of the principal of, and the interest and redemption premiums (if any) on the Bonds, when and as the same shall become due and payable in accordance with the terms of the Bonds and the Trust Agreement. Said security deposit shall be deemed to be and shall constitute a special fund in full satisfaction of the County's obligation to make payment of Lease Payments in accordance with the provisions of the Lease Agreement.

(d) *Prepayment from Insurance or Condemnation Proceeds.* The County shall be obligated to prepay the Lease Payments, in whole at any time or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of any insurance award or condemnation award or from any moneys available from self-insurance theretofore deposited in the Lease Payment Fund for such purpose as described under "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Insurance and Condemnation Fund; Eminent Domain" herein. The County and the Authority agree that such Net Proceeds or moneys available from self-insurance so deposited, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the County's obligations described under this paragraph.

Operating Expenses and Responsibility

The County shall at all times during the term of the Lease Agreement maintain the Project in good repair and operating condition. To this end, the County shall be responsible for all aspects of the operation, maintenance and policing of the Project, including but not limited to the payment of all operating expenses relating to the use and occupancy of the Project, such as costs of maintenance and repair of the building and equipment, fixtures, roof, windows, electrical systems, utilities, janitorial services, refuse removal, telephone service, security, maintenance and repair of heating and air conditioning systems, plumbing systems, pest control and any other work or expense incurred by virtue of the use and operation of the Project. The County shall be responsible for the collection of fees received in connection with the operations and programs administered in connection with the Project and any related facilities, the hiring and supervision of employees and contractors in connection with the operation and management of the Project, and the provision of all appropriate personnel. The Authority and the County

acknowledge and agree that the County may enter into one or more collateral agreements with other persons, with respect to the upkeep, operation, maintenance and policing of the Project, in which such other persons agree to accept certain responsibilities with respect to all or a portion of the Project; provided that, entry into any such agreements shall not relieve the County of its responsibility, as between the County and the Authority, for such matters described in this paragraph.

Liability, Property Damage and Fire Insurance

The County agrees to keep the Project adequately insured at all times and shall maintain with responsible insurers insurance of such types, in such amounts and against such risks as are customarily maintained by persons in similar circumstances having facilities of a comparable type and size and offering comparable services as those of the Project.

The County may, at its option, satisfy its insurance obligations set forth above by means of self-insurance, commercial insurance, or combination of both, in the amounts prescribed above; provided, however, that its doing so shall constitute a representation, which shall continue in effect during the insurance period, that it has sufficient resources or reserves to satisfy the minimum insurance requirements set forth above. See "Risk Management" in the County's Annual Information Statement dated December 28, 2001, incorporated by reference herein as Appendix A and published under separate cover.

In the event that the Project is destroyed or damaged so as to render all or a substantial portion of the Project unfit for the purposes for which the Project are leased to the County, and sufficient monies are available from insurance proceeds and other funding sources for reconstruction, then the Lease Agreement shall not terminate but shall continue in full force and effect, and the Project shall be reconstructed, within 24 months from the date of such damage or destruction from such sources, unless otherwise agreed by the parties to the Lease Agreement.

The Net Proceeds (i.e., proceeds net of any expenses of collection) of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty or moneys available from commercial insurance or self-insurance (in the event the County elects not to repair such damage or destruction) shall be paid by the County or the Authority, as the case may be, to the Trustee, as assignee of the Authority under the Trust Agreement, and deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in the Trust Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Insurance and Condemnation Fund; Eminent Domain" herein.

Eminent Domain

If all of the Project shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, then the term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Project shall be taken permanently, or if all of the Project or any part thereof shall be taken temporarily, under the power of eminent domain, then the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking.

The Net Proceeds (i.e., proceeds net of any expenses of collection) of any eminent domain award resulting from any event described in the preceding paragraph shall be paid by the County or the Authority, as the case may be, to the Trustee, as the assignee of the Authority under the Trust Agreement, and deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in the Trust Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Insurance and Condemnation Fund; Eminent Domain" herein.

Default

Subject to the provisions of the Lease Agreement regarding nonappropriation, the County shall be in default of the Lease Agreement upon its failure to perform under any term, covenant or condition of the Lease Agreement and the continuance thereof for 60 days after written notice from the Authority specifying said failure; provided, however, that in the case of the County's failure to make Lease Payments or pay any additional rent when

due, the County shall be in default if such failure to make Lease Payments or pay any additional rent shall continue for either (i) five days after written notice from the Authority or the Trustee specifying such failure or (ii) in the absence of such notice from the Authority or the Trustee, 10 days.

In the event that the County shall be in default as hereinabove stated, and shall fail to cure said default within the applicable 60-day, five-day or 10-day period described above (or, except in the case of a failure to make Lease Payments or pay any additional rent when due, such longer period as may be reasonably required to correct the default with the exercise of due diligence), then and in every such case thenceforth, at the option of the Authority, the County's right of possession shall thereupon end, and the Authority may proceed to recover possession under the laws of the State.

Notwithstanding any other provision of the Lease Agreement, if the County shall be in default as hereinabove stated, the Authority may proceed to protect or enforce its rights by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Lease Agreement, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy available therefor to the Authority.

Subject to the provisions of the Lease Agreement regarding nonappropriation, nothing described in this subheading or any other provision of the Lease Agreement shall affect or impair the obligation of the County, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Authority to institute suit to enforce and collect such payment. No delay or omission of the Authority to exercise any right or power arising upon any event of default described above shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given to the Authority may be exercised from time to time and as often as shall be deemed expedient by the Authority.

No remedy conferred upon or reserved to the Authority in the Lease Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement or existing at law or in equity or by statute or otherwise from time to time.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following statements are a brief summary of certain provisions of the Trust Agreement. This summary does not purport to be complete and reference must be made to the Trust Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

Assignment

Pursuant to the Trust Agreement, the Authority has transferred, assigned, and set over to the Trustee, in its capacity as Trustee for the benefit of the Owners of the Bonds, and not in its individual capacity, all of the Authority's rights under the Lease Agreement (excepting certain rights as to additional rent payments and reimbursement rights), including (1) the right to receive and collect all of the Lease Payments (including prepayments thereof) from the County under the Lease Agreement and (2) the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or appropriate (i) to enforce payment of the Lease Payments, prepayments thereof, and any other amounts required to be deposited in the Lease Payment Fund, or (ii) otherwise to protect the interests of the Owners in the event of a default by the County under the Lease Agreement or under the Trust Agreement.

Moneys in Funds: Investment

Investments Authorized. Moneys held by the Trustee in any fund or account under the Trust Agreement shall be invested and reinvested by the Trustee, as the County Representative or the County Representative's designee shall from time to time direct, in Permitted Investments.

Flow of Funds

Funds and Accounts. The Trust Agreement creates the following funds of the Authority to be established with the Trustee: (i) the Project Fund; (ii) the Lease Payment Fund; and (iii) the Insurance and Condemnation Fund. The following is a summary of these funds and their operation.

Project Fund. The Project Fund consists of two accounts, the Costs of Issuance Account and the Project Account. There shall be deposited in the Project Fund certain proceeds of sale of the Bonds and any other funds from time to time deposited with the Trustee for such purpose. The moneys in the Costs of Issuance Account shall be disbursed to pay Costs of Issuance and the moneys in the Project Account shall be disbursed to pay Acquisition Costs, upon the written order of the Authority Representative or the County Representative executed and delivered to the Trustee directing such disbursement as follows:

(a) The Trustee shall disburse moneys from the Costs of Issuance Account only upon a requisition signed by the Authority Representative or the County Representative. In the case of Acquisition Costs, the Trustee shall disburse moneys in the Project Account in the full amount of Acquisition Costs on the date of delivery of the Bonds upon receipt by the Trustee of a requisition signed by the Authority Representative setting forth the amount to be disbursed and the name or names of the person or persons to whom said amount is to be disbursed, and stating that the amounts are for Acquisition Costs properly chargeable to the Project Account. In addition, such requisition shall state that no Event of Default has occurred under the Lease Agreement or the Trust Agreement.

(b) Upon payments of all Costs of Issuance, the Trustee shall withdraw and transfer to the Lease Payment Fund any and all remaining moneys in the Costs of Issuance Account, to be credited to the payment of the Lease Payments next to occur as the same shall become due and payable.

Lease Payment Fund. All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Bonds. So long as any Bonds are outstanding, the Authority and the County shall have no beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee as assignee of the Authority under the Trust Agreement, including any moneys received by the Trustee for deposit therein to be used to redeem the Bonds and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and redemption premiums (if any) on the Bonds as the same shall become due and payable. All amounts remaining in the Lease Payment Fund on the Business Day immediately following each Payment Date, to the extent not required to pay the principal, interest, and premiums (if any) then due and payable with respect to the Bonds, shall be promptly withdrawn from the Lease Payment Fund by the Trustee and remitted to the Authority, which shall transfer such amounts to the County; provided, however, that this sentence shall not apply to those amounts transferred by the Trustee to the Lease Payment Fund as described in the last paragraph under "Project Fund" above.

Final Surplus. Any surplus remaining in the Lease Payment Fund, after redemption and payment of all Bonds, including redemption premiums and accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the Authority, which shall then transfer such amounts to the County.

Insurance and Condemnation Fund; Eminent Domain

Insurance and Condemnation Fund. Any Net Proceeds of insurance against damage to or destruction of

any structure constituting any part of the Project collected by the County or the Authority in the event of any such damage or destruction shall be paid to the Trustee by the County or the Authority pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund". If the County determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification, or improvement of the Project is not in the best interests of the County, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments required of the County pursuant to the Lease Agreement and the redemption of Bonds as described in "THE BONDS-Redemption of Bonds"; provided, however, that in the event of damage to or destruction of the Project in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment by the County of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Project by the County, upon receipt of requisitions satisfactory to the Trustee signed by the County Representative, which: (a) state with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, and has not been the basis of any previous withdrawal, and (v) that the County estimates that sufficient funds will remain on deposit in the Insurance and Condemnation Fund following such payment for the purpose of completing such replacement, repair, restoration, modification or improvement; (b) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or a statement of account for such obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Authority, which shall then transfer such amounts to the County.

If there occurs any damage or destruction to the Project and if the County determines and notifies the Trustee in writing of its determination, within 90 days following such damage or destruction, that the replacement, repair, restoration, modification, or improvement of the Project is not in the best interest of the County, then the County shall deposit any moneys available as part of its self-insurance program with the Trustee to be applied to the prepayment of Lease Payments as described above. Otherwise, the County shall apply any moneys available as part of its self-insurance program to the replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Project.

Eminent Domain. If all or any part of the Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Project or the ability of the County to meet any of its obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair or rehabilitation of the Project, the Trustee shall transfer such Net Proceeds to the Lease Payment Fund to be credited towards the prepayments of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of the Bonds in the manner described under "THE BONDS - Redemption of Bonds - Redemption From Net Proceeds of Insurance and Condemnation Awards or from Self-Insurance".

(b) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Project or the ability of the County to meet any of its obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Project, the Trustee shall pay to the County, or to its order, from said Net Proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing of requisitions of the County Representative in the form and containing the provisions in the third preceding paragraph.

(c) If (i) less than all of the Project shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the County has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the

Project or the ability of the County to meet any of its obligations under the Lease Agreement, or (ii) all of the Project shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such Net Proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments required of the County pursuant to the Lease Agreement and applied to the redemption of the Bonds in the manner described under "THE BONDS - Redemption of Bonds - Redemption From Net Proceeds of Insurance and Condemnation Awards or from Self-Insurance".

In making any such determination described under this subcaption, the County may obtain, but shall not be required to obtain, at its expense, the report of an independent engineer or other independent professional consultant. A copy of any such report shall be filed with the Authority and the Trustee. Any such determination by the County shall be final.

The Authority and the Trustee shall cooperate fully with the County at the expense of the County in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any portion thereof.

Modification or Amendment of Agreements

The Trust Agreement and the rights and obligations of the Owners of the Bonds, and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time and from time to time by a supplemental agreement, which shall become effective when written consents with respect to such modification or amendment shall have been filed with the Trustee by or on behalf of the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time for payment of interest thereon, or reducing the amount of principal thereof or interest due thereon or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bond Owners required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Lease Agreement, or (3) modify any of the rights or obligations of the Trustee (including in its capacity as assignee of the Authority) without its written consent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Bonds, and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power therein reserved to the Authority or the County, (2) to cure, correct or supplement any ambiguous or defective provision contained therein, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Bonds, (4) to modify the legal description of the Project to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcel intended to be included therein, or (5) to amend or modify the Lease Agreement to recalculate the Lease Payments upon partial prepayment thereof.

Events of Default and Remedies of Bond Owners

Remedies. If an Event of Default shall occur, then and in each and every such case during the continuance of such Event of Default, the Trustee may, in its own discretion, and upon request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, exercise any and all remedies available pursuant to law (including, but not limited to, the Act) or granted pursuant to the Lease Agreement and/or the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken as described in the immediately preceding paragraph or the Lease Agreement shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Bond Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel and including amounts due the Trustee for the exercise of its duties in accordance with the Trust Agreement;

Second, to the payment of the whole amount then owing and unpaid with respect to the Bonds then Outstanding for principal and interest, with interest on the overdue principal and on overdue installments of interest at the rate of interest represented by the Outstanding Bonds (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings. If one or more Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties thereunder.

Non-waiver. Nothing described above or in any other provision of the Trust Agreement or in the Bonds, shall affect or impair the obligation of the County to pay or prepay the Lease Payments as provided in the Lease Agreement, or, subject to the provisions described under “Limitations on Suits by Bond Owners” below, affect or impair the right of the Bond Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or be construed to be a waiver of any such Event of Default or an acquiescence therein in the absence of an express writing to such effect signed by the party to be charged with such waiver or acquiescence, and every power and remedy described under this caption as given to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Bond Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute or otherwise from time to time, including those provided under the Act.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the occurrence of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, to make decisions with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

Limitation on Suits by Bond Owners. No Owner of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Trust Agreement; (b) the Owners of at least 25% in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceeding in its own name, which request shall specify the action which such Owners request the Trustee to take; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the

Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Trust Agreement, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by such Owner's or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payments of principal and interest under such Bond as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this subcaption or any other provision of the Trust Agreement.

Defeasance

If and when all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and redemption premiums (if any) with respect to all Bonds Outstanding, as and when the same become due and payable; or

(b) by depositing with the Trustee security for the payment, when and as the same shall become due and payable, of all unpaid amounts of the principal of, interest on, and redemption premiums (if any) on all Bonds Outstanding at the time of such prepayment, as more particularly described in the Lease Agreement with respect to the prepayment of all remaining Lease Payments, said security to be held by the Trustee as agent for the County in a separate fund to be known as the "Security Deposit Fund", to be applied by the Trustee to pay the unpaid payments of the principal of, interest on, and redemption premiums (if any) on all Bonds Outstanding, as the same become due and payable;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Authority and the County with respect to all Outstanding Bonds shall cease and terminate, except only the obligation to cause the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the County or the Authority from funds deposited in the Security Deposit Fund pursuant to paragraph (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) and (b) above, which are not required for the payments to be made to Owners shall be paid over to the Authority for transfer to the County.

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT

The following statements are a brief summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference must be made to the Continuing Disclosure Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

Information in the Annual Report

The Annual Report will contain the following information:

The County shall provide to each NRMSIR and the State Repository, if any, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2002:

- (1) Statement of Direct and Overlapping Debt;
- (2) General Bonded Debt Ratios;
- (3) Assessed Value of All Taxable Property By Class;
- (4) Property Tax Levies and Collections;
- (5) Property Tax Rates and Tax Levies, By Purpose, and
- (6) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

The County shall also provide to each NRMSIR and the State Repository, if any, annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ending June 30, 2002, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending June 30, 2002), the County will provide unaudited financial statements within such time period.

Notice of Material Events

Whenever the County obtains knowledge of the occurrence of one of the following events (each a "Reportable Event"), the County shall as soon as possible determine if such event would constitute material information for owners of the Series 2003A Bonds, in accordance with the applicable "materiality" standard under then-current securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; or
- (11) Rating changes.

If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the NRMSIRs or the Municipal Securities Rulemaking Board and the State Depository (if any).

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